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FISCAL IMPACT STATEMENT

LS 7600

BILL NUMBER: HB 1677

NOTE PREPARED: Jan 25, 2009

BILL AMENDED:

SUBJECT: Gaming at Satellite Facilities.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill raises the maximum amount of county slot machine wagering fees payable to Madison County from \$8,000,000 to \$10,000,000. It authorizes slot machine wagering at a satellite facility in Allen County.

The bill also imposes a slot machine wagering fee equal to 10% of the adjusted gross receipts attributable to slot machine wagering at a satellite facility in Allen County. It also requires the fee to be transferred to the treasurer of Allen County for distribution.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary* - The bill could potentially result in a net increase to the state General Fund, with the estimated annual impact specified in the table below. The bill is effective upon passage; however, it is assumed that there will be a start-up lag, so a full-year impact could potentially begin in FY 2011.

Annual Net Impact on State General Fund	
	Increase (Decrease) in millions
Slot Tax from Ft. Wayne OTB	14.0 - 16.0
Wagering Tax from Blue Chip Casino	(7.0)
Admissions Tax from Blue Chip Casino	(0.8)
Net Impact	6.2 - 8.2

Background Information - The bill makes the following two changes relating to slot machine operations at Hoosier Park and Hoosier Park's OTB in Fort Wayne.

(1) The bill allows Hoosier Park to move up to 500 slot machines from its racetrack slot machine facility to its OTB in Fort Wayne. The bill requires Hoosier Park to maintain *at least* 1,500 slot machines at its current slot machine facility. (Note: Current statute provides a slot machine limit for each racetrack of 2,000 slot machines, without the approval of the Indiana Gaming Commission (IGC). Presumably, under the bill, Hoosier Park could move 500 slot machines to its Fort Wayne OTB and still operate more than 1,500 slot machines at the racetrack facility if additional slot machines are approved by the IGC.)

(2) The bill requires the state slot machine wagering tax to be imposed separately on the adjusted gross wagering receipts (AGR) from Hoosier Park slot machines and Fort Wayne OTB slot machines.

The fiscal impact to the state General Fund from this bill is predicated on the following assumptions:

(1) The daily average AGR per slot machine at the Fort Wayne OTB would range from \$300 to \$350. This would generate an annual AGR total ranging from \$55 M to \$65 M on 500 slot machines. During FY 2008, the daily average for slot machines at the riverboat casinos was \$325. However, during the July-December 2008 period, once the slot machine facilities at Hoosier Park and Indiana Downs began operating, the daily average declined to \$272. During this period, four casinos were above the average (ranging from \$325 to \$378 per slot machine) and nine (including the racetrack slot facilities) were below the \$272 average.

(2) There will be no significant decline in AGR generated by the Hoosier Park slot machine facility due to the shift of 500 slot machines to Fort Wayne. Currently, Hoosier Park is utilizing about 1,900 slot machines out of the allowed maximum of 2,000 slot machines.

(3) The Fort Wayne slot machine operation would displace at least 10% of the total AGR generated at Blue Chip Casino in Michigan City and would result in a proportionate decline in admissions at Blue Chip Casino. This would result as the Fort Wayne operation provides a closer gambling alternative than Blue Chip to gamblers in and around Allen County. The displacement of business at Blue Chip Casino would lower Riverboat Wagering Tax collections from Blue Chip to the state General Fund and would increase supplemental Admission Tax replacement payments from the state General Fund to recipients of Riverboat Admissions Tax collections from Blue Chip (Michigan City, LaPorte County, the LaPorte County Convention and Visitors' Bureau, the State Division of Mental Health, and the State Fair Commission).

Explanation of Local Expenditures:

Explanation of Local Revenues: *Allen County* - The bill imposes a 10% County Slot Machine Wagering

Fee on slot machine AGR generated at the Fort Wayne OTB. The bill does not place an annual limit on the fee revenue that may be collected annually. Based on the AGR estimates outlined above, the tax could generate \$5.5 M to \$6.5 M. The bill requires the revenue from the fee to be divided on a per capita basis between Allen County and the cities and towns within Allen County.

Madison County - The bill increases from \$8 M to \$10 M the annual limit on the 3% County Slot Machine Wagering Fee paid by Hoosier Park to Madison County. The increase does not apply to the fee paid by Indiana Downs to Shelby County. It is estimated that this change will not increase the yield to Madison County from the fee in FY 2009, FY 2010, or FY 2011. The fee is estimated to generate about \$5.8 M in FY 2009 and FY 2010 and \$6.0 M in FY 2011 for Madison County. During the first six months of FY 2009, distributions of fee revenues have totaled about \$2.9 M to Madison County.

The County Slot Machine Wagering Fee is equal to 3% of the AGR generated by the slot machine facilities at the two racetracks. AGR is the total wagering receipts generated by the slot machines minus the amount paid out in winnings to gamblers. The fee revenue is divided on a per capita basis between the county receiving the revenue and cities and towns within that county.

The estimated yield from the County Slot Machine Wagering Fee is based on the Revenue Technical Committee's December 11, 2008, forecast for revenue from the State Slot Machine Wagering Tax in FY 2009, FY 2010, and FY 2011. The tax is also imposed on the AGR generated by the slot machine facilities. The forecast suggests that during the next two years the Hoosier Park facility could generate between \$190 M and \$200 M in AGR. Annual AGR would have to total about \$267 M in order for the 3% fee to exceed \$8.0 M in a year. It is unknown at this point when the Hoosier Park slot machine facility will generate annual AGR totals of that magnitude.

State Agencies Affected: Indiana Gaming Commission.

Local Agencies Affected: Madison County, Allen County.

Information Sources: Indiana Gaming Commission, *Monthly Gaming Activity Reports: 2007-2008*.

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